



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 30th day of September, 2003

In the Matter of the

**SMALL COMMUNITY AIR SERVICE
DEVELOPMENT PILOT PROGRAM**

DOCKET OST-2003-15065

under 49 U.S.C. 41743 *et seq.*

GRANT AWARD ORDER

By Order 2003-9-14, the Department made its grant award selections for fiscal year 2003 under the Small Community Air Service Development Pilot Program (SCASDPP), an experimental program established under the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21), P.L. 106-181, designed to help smaller communities enhance their air service and address airfare issues.¹ Two of the selected grant recipients, Duluth, Minnesota, and the North Carolina consortium, were awarded smaller grants than they had requested. Consequently, in our order, we stated that the awards to these communities would become final and the funds obligated if they accepted the Department's grant offer and executed grant agreements with the Department for their proposed projects within five business days of issuance of the Department's order. In addition, shortly after issuance of our order, one grant recipient, the consortium of Athens, Ohio, and Morgantown, West Virginia, notified the Department that it was no longer in a position to accept the Department's grant offer.

Both Duluth and the North Carolina consortium have accepted the Department's grant offers and both recipients executed grant agreements with the Department within the required timeframe. Consequently, we obligated the awarded funds for their authorized grant projects.

Duluth is currently served by only one airline in one market. The community plans to use the grant funds to increase the service options available to the community and to promote competition by securing service by a second carrier to a different hub. In addition to Duluth, the services at the community will benefit travelers in Wisconsin as well. The community also anticipates that the additional service will lower the airfares now available. The North Carolina consortium seeks to provide service for a number of North Carolina communities to Raleigh-

¹ See Order 2003-9-14 for a complete description of the background of this program.

Durham, a hub served by two major low-fare air carriers, Southwest Airlines and Air Tran. The award to this consortium will enable the State to address air service and airfare issues on a multi-community basis. Both awards are consistent with the objectives set forth in our grant order to test projects that would provide a comprehensive approach to air service issues and those directed at addressing airfare issues.²

Reallocation of Grant Award

In our grant award order, we stated that we would reallocate any funds that were returned to the Department because a community declined the Department's grant offer or it defaulted under the terms of the grant agreement, and would choose alternate awards from the other applications already filed in this docket.³ Given the notification from Athens/Morgantown, additional funds immediately became available for reallocation.⁴

Based on the pending applications whose grant requests fall within the total amount of funds available, we made grant offers to Elmira/Corning, New York, for \$200,000, and to Laredo, Texas, for \$400,000, the amounts requested in their applications. Both communities accepted the Department's grant offers and we obligated the funds for these awards. Elmira plans to use the funds to promote service at the airport to increase ridership, to secure additional service, and to lower airfares at the community. In addition to the funds sought under the SCASDPP toward this goal, Elmira has committed a contribution of \$48,500 to the project. Laredo plans to use the grant funds for a fare incentive coupon program to improve airfares available to the community and for a comprehensive marketing and advertising campaign to increase use of the airport services. In addition to the grant funds sought, Laredo has committed a contribution of \$100,000 toward its proposed project.

In making our earlier grant awards, we stated that our primary goals in the second year of this pilot program were to (a) provide a large number of communities an opportunity to participate in this program; (b) make the program available to communities in all regions of the United States; (c) experiment with more statewide and consortia proposals to test more fully a comprehensive approach to air service and airfare issues; (d) test more proposals specifically addressing airfare issues in light of the strong interest expressed by communities over their airfare issues; and (e) use the available funds to the fullest extent possible.

The awards to Elmira/Corning and Laredo are consistent with our goals to maximize the number of awards under the program and the geographic distribution of the grant awards. In addition, both grant recipients have expressed a strong interest in addressing the problem of high airfares at their communities and their projects include components to address that issue.

Elmira/Corning will experiment with advertising and possible subsidy to address its airfare issues; Laredo intends to institute a fare coupon system to lower fares at its community. The

² Order 2003-9-14 at 5-6.

³ Order 2003-9-14 at 9.

⁴ In addition to the \$587,224 available from the declined award, an additional \$20,193 remained available from the original allocations in Order 2003-9-14. Thus, a total of \$607,417 was available for allocation.

combination of these grant awards, totaling \$600,000, also ensures that we continue to make maximum use of the funds available for this program. Both communities will contribute toward their proposed projects and have provided information evidencing support for the proposed projects.

In making these awards, we are mindful that other proposals within the range of funds available offered meritorious features. The large number of applications filed in response to this program demonstrates the substantial desire of many communities to improve their air services and to seek ways to address their air service/fare issues. On balance, however, we believe the awards to Elmira/Corning and Laredo best serve the overall goals of our initial awards and will provide an important additional opportunity to test different approaches to improving air service and airfares at small communities.

It is possible that additional funds may become available if projects do not succeed, or if funds made available for revenue guarantees are not needed because traffic levels exceed expectations. Should this occur, we will reallocate the funds to additional communities to the extent possible, consistent with both statutory and budgetary limitations. Therefore, as all remaining applications remain pending, we will not entertain petitions for reconsideration of this order.

Grant Agreements

The Department will execute grant agreements with Elmira/Corning and Laredo and has contacted the communities to complete execution of the grant agreements. As is our normal practice, we expect communities to establish milestones to monitor the progress of the proposed projects to determine whether modifications are necessary or whether funding should be suspended prior to the end of the funding period if the project is not attaining the desired results. We intend to include such milestones in the grant agreements for the awards here as we have for those grants made under our earlier grant order. We remind Elmira/Corning and Laredo that they should not proceed with their plans until the grant agreements have been signed. We also remind them that the Federal funds for the approved projects will be disbursed on a reimbursable basis; communities will not be reimbursed for any funds expended prior to the signing of the grant agreement.

ACCORDINGLY,

1. Consistent with the provisions of Order 2003-9-14, we have obligated grant awards in the amount of \$1,000,000 to Duluth, Minnesota, and \$1,200,000 to the North Carolina consortium for the projects proposed in their respective grant applications;
2. We withdraw the grant award and obligation of grant funds made by Order 2003-9-14 to Athens, Ohio, and Morgantown, West Virginia;
3. We have granted awards and obligated Small Community Air Service Development Pilot Program fiscal year 2003 grant funds in the amount of \$200,000 to Elmira/Corning, New York, and \$400,000 to Laredo, Texas, subject to the same conditions set forth in Order 2003-9-14 applicable to all grant recipients;

4. We will serve a copy of this order on the legal sponsors for Duluth, Minnesota; the North Carolina consortium; Elmira/Corning, New York; Laredo, Texas; and all other grant applicants in this docket; and
5. We will not entertain petitions for reconsideration of this order.

By:

MICHAEL W. REYNOLDS
Acting Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available
on the World Wide Web at <http://dms.dot.gov>*